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Virginia Telephone Association

JAMES H. QUELLO

93-6

April 13, 1993

The Honorable James E. Quello
Chairman
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

RE: F.C.C. Docket 93-6

Dear Chairman Quello:

Please accept the attached as comments to be considered in the above referenced docket, F.C.C. 93-6. These comments are filed by the Virginia Telephone Association (VTA) on behalf of the member companies listed.

Yours,


Ralph L. Frye
Executive Director

RLF/kf

cc: F.C.C. Commissioners

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CC DOCKET 93-6

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INTRODUCTION

The Companies listed on Attachment A submit the following comments requesting respectfully that the Federal Communications Commission consider them in CC Docket 93-6.

NECA BOARD COMPOSITION

The present NECA Board composition has served NECA members well. The respondents strongly support the continued representation on the NECA Board by nine Subset 3 members. Nine Subset 3 representatives are required due to the large number of companies and the diverse characteristics of the companies within this subset. Any change in the number of NECA Board members which may result from this proceeding should in no way reduce representation for the small companies that comprise Subset 3.

ON-LINE ACCESS TO NECA DATA BASES

The respondents have concerns about the Commission's proposal that NECA provide on-line, dial-up access to its computer-based data files. On-line access poses serious security risks and will result in added administrative costs which would outweigh any benefit to be obtained. No other carriers, including Tier 1 LECs which comprise over 90% of industry revenues, are required to provide access to computer databases. Requiring NECA pool participants to provide this information is inconsistent with other Commission decisions which seek to minimize filing requirements for small LECs.

DATA CERTIFICATION

The Commission should not impose any additional rules requiring certification of data provided to NECA by LEC officers or employees. Sufficient data review which meets acceptable accounting and audit

practices can be achieved without imposing such rules. Further, much of the data provided to NECA for tariff and settlements purposes is estimated. It is unrealistic to suppose that LEC employees are in a position to certify estimates.

COMPENSATION

The six member Compensation Committee of the NECA Board reviews and approves compensation plans for NECA employees. This Committee can and does deal with the complex issues raised by the Commission concerning incentive compensation. The "incentive compensation" issue, or any other compensation issue, should be left in the hands of the NECA Board that is held responsible for the overall operation of NECA. Further, the respondents believe that it would be in the best interest of the FCC, NECA, and all members of NECA, that the full compensation package of the officers of NECA be published at least to member companies.

The respondents, however, believe that incentive compensation, if structured properly, may be helpful in creating efficiencies at NECA. For example, monetary rewards for excellent service to members and cost savings achieved through streamlined operations would benefit not only the reward recipients but the industry as a whole. Other objectives, like pool earnings and audit "quotas", should not be included in an incentive compensation plan.

Final pool earnings for a given year are not known until 12 months after the year has ended due to NECA's "two-year window" for pool reporting. This makes it unclear how pool earnings could be effectively included in an incentive compensation plan which should reward employees for known and measurable performance exceeding objectives for the prior year. This is exacerbated by the fact that pool earnings typically erode throughout the two-year window. Further,

pool earnings should not be included to avoid even an appearance of a
conflict of interest by NECA in advising its interpretations of

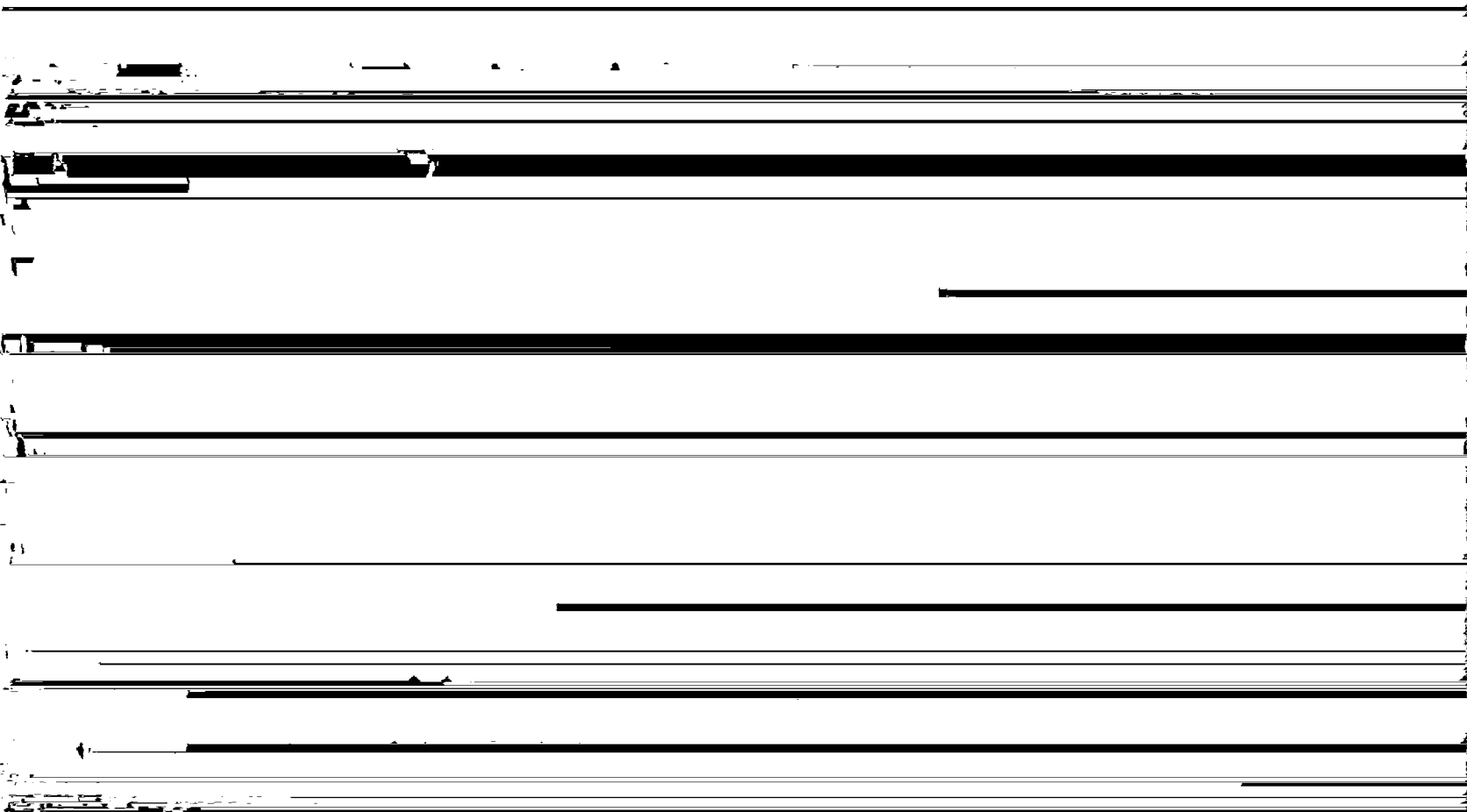
if warranted for non-pooling LECs.

UNIVERSAL SERVICE FUND AND AVERAGE SCHEDULES

While not specifically addressed in the NPRM, the respondents are concerned about possible impacts on the Universal Service Fund (USF) and average schedules which promote universal service and reduce administrative costs, thus benefitting rural telephone subscribers. Potential rules changes impacting NECA's revenue distribution process should in no way jeopardize the continued development, administration, and maintenance of these mechanisms. Further, rules should not be imposed which create additional administrative costs for the small companies participating in these settlement mechanisms.

CONCLUSION

NECA serves very important functions for the LEC industry, including the administration of access tariffs, nationwide pooling and rate averaging, and administration of universal service programs and average



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Attachment A - VTA Member Companies filing in F.C.C. Docket 93-6

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